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~~CONFIDENTIAL~~ SECTION 01 OF 04 SECTO 14131

E.O. 12356: DECL: OADR
TAGS: OVIP (SHULTZ, GEORGE P.), ETRD, CH
SUBJECT: SECRETARY'S MEETING WITH VICE PREMIER TIAN
JIYUN, JULY 15, 1988

1. CONFIDENTIAL - ENTIRE TEXT.

2. SUMMARY. AT A BREAKFAST HE HOSTED FOR THE SECRETARY JULY 15, VICE PREMIER TIAN DESCRIBED THE VERY FAVORABLE IMPRESSIONS HE HAD GAINED DURING HIS RECENT VISIT TO THE US. HE FOUND WARM FRIENDSHIP FOR CHINA AND STRONG INTEREST IN THE US BUSINESS COMMUNITY IN ECONOMIC COOPERATION WITH CHINA. HE URGED MORE TECH TRANSFER AND SAID CHINA HOPED THE US WOULD BECOME ITS CHIEF PARTNER IN ECONOMIC COOPERATION. INVESTMENT IN CHINA'S COASTAL ZONES HAD DOUBLED, AND CHINA WAS MAKING EFFORTS TO IMPROVE ITS INVESTMENT ENVIRONMENT. HE ASKED FOR HELP IN EXPEDITING EXPORT LICENSES FOR THREE COMPUTER CASES. TIAN SAID INVESTMENT PROJECTS IN CHINA NOW WERE MOVING INTO HIGHER LEVELS OF TECHNOLOGY. HE PRAISED THE GOOD BEHAVIOR OF US CHILDREN AND MENTIONED CHINA'S EFFORTS TO CONTROL DRUG TRAFFICKING. END SUMMARY.

TIAN'S IMPRESSIONS OF MAY 1988 US VISIT

3. TIAN RECALLED THAT JUST PRIOR TO DEPARTING THE US HE HAD ATTENDED A FAREWELL LUNCH IN LOS ANGELES AT WHICH HE HAD DESCRIBED HIS IMPRESSIONS OF HIS VISIT. (NOTE: PRESS ACCOUNTS OF TIAN'S REMARKS QUOTED HIM AS SPEAKING OF THE US IN HIGHLY FAVORABLE TERMS.) JOURNALISTS HAD REPORTED HIS REMARKS, AND THESE REPORTS HAD BEEN SENT TO CHINESE LEADERS IN BEIJING, WHO AGREED WITH HIS IMPRESSIONS.

4. RECALLING THE CHINESE SAYING THAT "ONE LOOK IS BETTER THAN HEARING SOMETHING ONE HUNDRED TIMES," TIAN SAID HE HAD A FAR BETTER UNDERSTANDING OF THE US

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PROSPECTS FOR SINO-US ECONOMIC COOPERATION

7. TIAN STRESSED THE POTENTIAL FOR FURTHER DEVELOPMENT OF SINO-US ECONOMIC COOPERATION. THE US HAD THE LARGEST MARKET IN THE WORLD, AND CHINA COULD BECOME THE LARGEST MARKET FOR THE US. EACH COUNTRY HAD DISTINCT ADVANTAGES. IF CHINA AND THE US COMBINED THEIR RESPECTIVE ADVANTAGES, THEY COULD BOTH BECOME MORE COMPETITIVE. FOR THAT REASON, ON HIS RETURN FROM THE US HE HAD CONTACTED VARIOUS DEPARTMENTS TO EXPLORE POSSIBILITIES FOR WORKING OUT LARGE SCALE COOPERATIVE PROJECTS WITH THE US.

8. TIAN THOUGHT SINO-US RELATIONS HAD REACHED A STAGE DEMANDING CONCRETE ACTIONS RATHER THAN EMPTY TALK. IF THE US REALLY REGARDED CHINA AS A FRIENDLY, NON-ALLIED COUNTRY, PUT IT IN THE GREEN ZONE, AND CARRIED OUT ITS "PROMISES" ON TECHNOLOGY TRANSFER, THEN CHINA'S COOPERATION WITH THE US COULD EXCEED THAT WITH ANY OTHER COUNTRY. IN FACT, CHINA HOPED THAT THE UNITED STATES WOULD BECOME ITS LARGEST COOPERATIVE PARTNER. THE US WAS PROBABLY AWARE THAT CHINA DID NOT PLACE MUCH HOPE IN PROSPECTS FOR COOPERATION WITH THE SOVIET UNION. FOR VARIOUS REASONS, IT ALSO PLACED LITTLE HOPE IN JAPAN. IT PINNED GREATER HOPES ON THE US.

9. TIAN SAID HE HAD BEEN GREATLY IMPRESSED BY THE LEVEL OF ECONOMIC DEVELOPMENT IN THE US AND BY WHAT THE US HAD ACHIEVED IN A SHORT PERIOD OF 200 YEARS. THERE WOULD BE NO DIFFICULTIES ON CHINA'S PART IN EXPANDING SINO-US COOPERATION. ANY DIFFICULTIES WOULD STEM FROM CHINA'S LOW WORK EFFICIENCY, LESS THAN IDEAL INVESTMENT ENVIRONMENT, AND DEFECTIVE MANAGEMENT SYSTEM. THESE WERE THE AREAS US BUSINESS PEOPLE COMPLAINED ABOUT, SO CHINA WAS SEEKING TO IMPROVE THEM AS QUICKLY AS POSSIBLE. THERE WERE ALREADY QUITE A FEW SUCCESSFUL COOPERATIVE PROJECTS BETWEEN CHINA AND THE US. IF THE SECRETARY COULD VISIT THEM, IT WOULD BOOST HIS CONFIDENCE IN PROSPECTS FOR ECONOMIC COOPERATION. TIAN ADDED THAT HENRY KISSINGER WAS ABOUT TO COME TO CHINA, AND TIAN PLANNED TO DISCUSS PROSPECTS FOR SINO-US COOPERATION WITH HIM.

10. THE SECRETARY REMARKED THAT DURING HIS PREVIOUS VISIT TO CHINA HE HAD VISITED THE MCDONNELL-DOUGLAS PLANT IN SHANGHAI. HE KNEW MCDONNELL-DOUGLAS WAS PLEASED WITH THE WAY ITS RELATIONSHIP WITH CHINA WAS PROGRESSING. HE POINTED THIS OUT TO US BUSINESS PEOPLE. AS FAR AS TECHNOLOGY TRANSFER WAS CONCERNED, THE US HAD MOVED A TREMENDOUS DISTANCE SINCE HIS FIRST VISIT TO CHINA NEARLY SIX YEARS AGO. A FURTHER STEP FORWARD HAD BEEN TAKEN THE WEEK BEFORE IN COCOM. WHETHER FROM THE STANDPOINT OF CHINA'S OWN ECONOMIC DEVELOPMENT OR US INTERESTS, IT WAS ESSENTIAL TO HAVE A GOOD REGULATORY ENVIRONMENT. THE SIMPLER AND MORE RELIABLE THAT ENVIRONMENT, THE

AROSE. THE VOLUME OF INVESTMENT IN THE SPECIAL ECONOMIC ZONES AND OPEN CITIES HAD INCREASED REMARKABLY. THE NUMBER OF INVESTMENT PROJECTS AGREED THIS YEAR HAD DOUBLED OVER THE SAME PERIOD LAST YEAR. ALSO, THE NATURE OF THE INVESTMENT PROJECTS HAD SHIFTED TOWARD HIGHER TECHNOLOGY AREAS SUCH AS COMPUTERS AND AIRCRAFT. CHINA NO LONGER ONLY MANUFACTURED SIMPLE HOME APPLIANCES. US AND CHINESE COOPERATION WAS ALSO OCCURRING AT HIGHER LEVELS OF TECHNOLOGY.

SUPERCOMPUTER CASES

13. TIAN EXPRESSED THE HOPE THAT THE SECRETARY COULD USE HIS INFLUENCE TO SPEED UP EXPORT LICENSES FOR CERTAIN COMPUTER CASES. CHINA HAD REACHED AGREEMENT WITH TWO (SIC) COMPUTER COMPANIES IN MINNESOTA FOR THE SUPPLY OF THREE COMPUTER SYSTEMS TO BE USED FOR PETROLEUM AND METEOROLOGICAL WORK. THE COMPANIES WERE EAGER TO HAVE THE EXPORT LICENSES ISSUED. THE SECRETARY SAID HE WOULD CHECK INTO THE MATTER.

CHANGES IN GLOBAL ENVIRONMENT

14. THE SECRETARY SAID HE FELT CHINA WAS WISE TO MOVE INTO HIGHER LEVELS OF TECHNOLOGY. THE GLOBAL ECONOMY WAS ENTERING A NEW STAGE. IMPORTANT CHANGES WERE OCCURRING IN THE WAY THINGS WERE DONE. MANY OF THESE CHANGES INVOLVED THE HIGHER TECHNOLOGIES THAT TIAN HAD MENTIONED. IN THIS CONNECTION, CHINA WAS WISE TO BE OPENING ITSELF TO THE OUTSIDE WORLD. MORE OPEN SOCIETIES WERE BETTER ABLE TO TAKE ADVANTAGE OF THESE NEW DEVELOPMENTS. HE OFFERED TO PROVIDE TIAN WITH A GRAPHIC REPRESENTATION OF THESE TRENDS. TIAN EXPRESSED APPRECIATION FOR THIS OFFER.

US-PRC RELATIONS

15. TIAN RETURNED TO THE THEME OF HIS US VISIT, EXPRESSING PARTICULAR APPRECIATION FOR THE CORDIAL RECEPTION HE HAD RECEIVED FROM PRESIDENT REAGAN, VICE PRESIDENT BUSH, AND THE SECRETARY HIMSELF. HE ASKED THE SECRETARY TO CONVEY HIS BEST REGARDS TO THE VICE PRESIDENT. HE NOTED THAT PRIOR TO HIS US VISIT HE HAD SEEN THE PRESIDENT ON TELEVISION BUT HAD NEVER MET HIM PERSONALLY. AFTER MEETING THE PRESIDENT, HE WAS VERY FAVORABLE IMPRESSED WITH HIS PERSONAL QUALITIES. VICE PRESIDENT BUSH WAS ALSO A WISE STATESMAN.

16. THE SECRETARY COMMENTED ON THE IMPORTANT CONTRIBUTION THAT VISITS SUCH AS VICE PREMIER TIAN'S HAD MADE TO THE STEADY DEVELOPMENT OF SINO-US RELATIONS. THE BROAD SCOPE OF OUR RELATIONSHIP REFLECTED THE FACT THAT LEADERS ON BOTH SIDES HAD VISITED BACK AND FORTH AND HAD THE OPPORTUNITY TO SEE FOR THEMSELVES WHAT THE OTHER COUNTRY WAS LIKE. PRESIDENT REAGAN'S VISIT TO CHINA HAD MADE A DEEP

FAMILY STABILITY AND PROBLEMS OF AGED IN US.

19. TIAN WONDERED WHETHER AMERICAN FAMILIES WERE BECOMING MORE STABLE. FAMILY TIES WERE STILL VERY STRONG IN CHINA, AND FAMILY UNITS, ONCE ESTABLISHED, TENDED TO REMAIN INTACT. IT WAS STILL CONSIDERED A VIPTHE FOR FAMILIES TO CARE FOR THEIR OLDER AND YOUNGER MEMBERS. HE ASKED ABOUT THE TREATMENT OF OLDER AMERICANS; HE HAD READ THAT THEY LIVED LONELY, ISOLATED LIVES. THE SECRETARY NOTED THAT IMPROVED SOCIAL SECURITY AND RETIREMENT SYSTEMS HAD GIVEN OLDER AMERICANS MORE FINANCIAL SECURITY AND INDEPENDENCE. WHILE THIS HAD ITS POSITIVE ASPECTS, IT ALSO MEANT THAT CHILDREN FELT LESS RESPONSIBILITY TO CARE FOR THEIR PARENTS IN THEIR OLD AGE. HE DESCRIBED THE CHARACTERISTICS OF US RETIREMENT COMMUNITIES.

PARTICIPANTS

20. THE SECRETARY WAS ACCOMPANIED BY AMBASSADOR LORD, UNDER SECRETARY WALLIS, ASSISTANT SECRETARY SIGUR, ASSISTANT SECRETARY REDMAN, EAP/DAS ROY (NOTETAKER), AND VIVIAN CHANG (INTERPRETER). VICE PREMIER TIAN WAS ACCOMPANIED BY VICE MINISTER ZHU OIZHEN, ASSISTANT MINISTER LIU HUAQIU, NORTH AMERICAN DIVISION DIRECTOR CHA PEIXIN, AMBASSADOR HAN XU, AND YANG JIECHI (INTERPRETER).

21. TRAFFER: EAP:JSROY
CLEARED: EAP:GSIGUR

EAP:MPDALEY
S/S:RVMUELLER
SEULTZ

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